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LETTER DATED 18 APRIL 1999 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On instructions from my Government, I have the honour to transmit to you herewith a letter dated 18 April 1999 from Mr. Mohammed Said Al-Sahaf, Minister for Foreign Affairs of Iraq. The Minister calls attention to the fact that, at the instigation of the representatives of the United States and the United Kingdom in the Committee, the Security Council Committee established by resolution 661 (1990) has obstructed and delayed the processing of contracts for spare parts and supplies for petroleum installations located in the southern region of Iraq, and he urges you to intervene with a view to settling the issue of the contracts that have long been on hold.

I should be grateful if you would have the present letter and its annex circulated as a document of the Security Council.

(Signed) Saeed H. HASAN
Ambassador
Permanent Representative

Annex

Letter dated 18 April 1999 from the Minister for Foreign Affairs of Iraq addressed to the Secretary-General

I should like to call your attention to a matter of the utmost importance that relates to the processing of contracts for spare parts and supplies for the oil sector in Iraq under the memorandum of understanding of 20 May 1996. Under the terms of Security Council resolution 1175 (1998), the sum of 300 million dollars was allocated under phase IV of the memorandum of understanding for the provision of spare parts and production-related supplies for the oil industry in Iraq on the basis of the detailed report prepared by the group of experts established by you following your visit to Iraq in March 1998. The group of experts drew up detailed lists of the oil sector's requirements in terms of the spare parts, materials, supplies, equipment and machinery needed to improve and expand the productive capacity of the oil installations in operation. You endorsed that report and transmitted it to the Security Council by your letter dated 15 April 1998 addressed to the President of the Council (S/1998/330 and Corr.1). The lists were also used for the central distribution plan, which was approved by you. The same measures were taken in the same context for phase V under the memorandum of understanding, and the same sum was allocated for the provision of basic supplies for the oil sector in Iraq under Security Council resolution 1210 (1998).

In preparing contracts for the purchase of materials and equipment under the memorandum of understanding, our oil companies have endeavoured to comply fully with the distribution plan approved by you. Accordingly, as of 8 April 1999 they had forwarded 536 phase IV contracts to the secretariat of the Iraq Programme for submission to the Security Council Committee established by resolution 661 (1990) for its approval and endorsement. We have noted that, since that phase began, the Committee has placed on hold, for very long periods of time, a very large number of the contracts submitted. Our analysis of this odd conduct on the part of the Committee has revealed to us the facts set forth hereunder.

1. There are currently 91 contracts on hold, and 11 per cent of them have been on hold for more than six months and 69 per cent for more than three months. This is despite the fact that our oil companies and the supplier companies responded to all the Committee's inquiries at the time they were made.

2. The fact that these contracts are being kept on hold without any decision by the Committee either to approve or reject them means that a sum in excess of 28 million dollars is effectively frozen and that our oil companies are thus being deprived of opportunities to submit alternative contracts for other materials and equipment that are included in the distribution plan but for which no financial allocation has been available.

3. In placing contracts on hold, the Committee has focused on contracts pertaining to the oil companies in the southern region (Southern Petroleum and Southern Refineries), whose contracts on hold account for 79 per cent of the number and 77 per cent of the value of all contracts on hold. Twenty-four

contracts pertaining to Southern Refineries and 17 pertaining to Southern Petroleum have been on hold for more than four months.

4. The representatives of the United States and the United Kingdom have provided no justification for keeping these contracts on hold for such a long period of time. Examination of the items and specifications covered by the contracts submitted by our southern oil companies indicates that similar contracts have been presented by our oil companies in the central and northern regions and have been approved without any problem. They have included, by way of example: water treatment and environmental protection chemicals; items for steam boilers; equipment for fire-extinguishing systems; spare parts for electrical and control equipment; and vehicles. (Contracts for vehicles for the Oil Pipeline Company and the Petroleum Products Distribution Company have also been placed on hold because these two companies also serve the southern region.)

5. The representatives of the United States and the United Kingdom have also placed on hold contracts for materials and equipment for all of Southern Petroleum's communications systems, despite their close linkage with the control and metering of the pumping and exportation of crude oil. These two representatives have persisted in this attitude, even after United States aircraft inflicted damage on these systems in the ongoing aggression against them.

6. For some time now, personnel from Southern Petroleum have been readying Mina' al-Amiq as a backup terminal to supplement Mina' al-Bakr in the southern exportation infrastructure, and some materials and equipment for the terminal were included in the distribution plan. However, all the contracts concluded for Mina' al-Amiq have been placed on hold on the grounds that the terminal is not covered by the exportation plan.

It will be clear to you from the foregoing that there is an obvious and deliberate inclination in the Committee to obstruct and delay the processing of contracts that relate to Iraqi oil installations in the southern region and that this is done with the support and at the instigation of the representatives of the United States and the United Kingdom in the Committee. We therefore request you to intervene with a view to securing a settlement of the issue of the contracts that have long been on hold and the establishment of a maximum period of time - and we propose one of not more than one month - for which contracts can remain on hold after all the information requested in their regard has been provided.

(Signed) Mohammed Said AL-SAHAF
Minister for Foreign Affairs
of the Republic of Iraq